

BOND INFORMATION STATEMENT  
State of South Dakota  
SDCL 6-8B-19

Return to: Secretary of State  
State Capitol  
500 E. Capitol  
Pierre, SD 57501-5077

FILING FEE: \$1.00

TELEPHONE: #(605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: Mount Vernon School District 17-3, Davison Co. SD
2. Designation of issue: G.O. Refunding Bonds, Series 2003
3. Date of issue: 04-15-03
4. Purpose of issue: Refund on April 15, 2003, \$670,000 principal amount of G.O. Refunding Bonds, Series 1997, dated 9-15-97.
5. Type of bond: General Obligation
6. Principal amount and denomination of bond:  
\$625,000 - \$5,000 denomination or integral multiples thereof.
7. Paying dates of principal and interest:  
Interest payable January 1 and July 1 beginning July 1, 2003  
Principal payments July 1, 2003 through July 1, 2009.

Filed this 14<sup>th</sup> day of  
April, 2003  
Chris Nelson  
SECRETARY OF STATE

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8. Amortization schedule:

See Attached.

9. Interest rate or rates, including total aggregate interest cost:

1.35% to 3.25%; 2.60% Net Interest Cost

This is to certify that the above information pertaining to the

Mount Vernon School District 17-3, Davison County, South Dakota

(name of public body, authority, or agency)

is true and correct on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

By: \_\_\_\_\_

Its: \_\_\_\_\_

**Mount Vernon School District 17-3**  
**General Obligation Refunding Bonds**  
**Series 2003**

**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I	FISCAL TOTAL
4/15/2003	-	-	-	-	-
7/01/2003	25,000.00	1.350%	2,993.03	27,993.03	27,993.03
1/01/2004	-	-	6,920.00	6,920.00	-
7/01/2004	95,000.00	1.450%	6,920.00	101,920.00	108,840.00
1/01/2005	-	-	6,231.25	6,231.25	-
7/01/2005	100,000.00	1.650%	6,231.25	106,231.25	112,462.50
1/01/2006	-	-	5,406.25	5,406.25	-
7/01/2006	100,000.00	2.050%	5,406.25	105,406.25	110,812.50
1/01/2007	-	-	4,381.25	4,381.25	-
7/01/2007	100,000.00	2.450%	4,381.25	104,381.25	108,762.50
1/01/2008	-	-	3,156.25	3,156.25	-
7/01/2008	100,000.00	2.900%	3,156.25	103,156.25	106,312.50
1/01/2009	-	-	1,706.25	1,706.25	-
7/01/2009	105,000.00	3.250%	1,706.25	106,706.25	108,412.50
<b>Total</b>	<b>625,000.00</b>	<b>-</b>	<b>58,595.53</b>	<b>683,595.53</b>	<b>-</b>

**YIELD STATISTICS**

Bond Year Dollars..... \$2,256.94  
Average Life..... 3.611 Years  
Average Coupon..... 2.5962327%

Net Interest Cost (NIC)..... 2.5962327%  
True Interest Cost (TIC)..... 2.5853625%  
Bond Yield for Arbitrage Purposes..... 2.5853625%  
All Inclusive Cost (AIC)..... 3.1817063%

**IRS FORM 8038**

Net Interest Cost..... 2.5962327%  
Weighted Average Maturity..... 3.611 Years

AMERITAS INVESTMENT CORP  
Bruce Lefler Vice President

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Official Statement Dated March 11, 2003

*In the opinion of Bond Counsel, under existing laws, regulations and court decisions and subject to the qualifications set forth herein under "TAX EXEMPTION," interest on the 2003 Bonds is not includable in gross income for purposes of regular federal income taxation. Interest on the 2003 Bonds is not subject to the alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the "Code"), but is required to be included in the calculation of adjusted current earnings to be used in computing corporate alternative minimum taxable income. See the caption "TAX EXEMPTION" herein.*

**\$625,000**

**MOUNT VERNON SCHOOL DISTRICT 17-3  
DAVISON COUNTY, SOUTH DAKOTA  
GENERAL OBLIGATION REFUNDING BONDS  
SERIES 2003**

Dated: Date of Delivery

Due: July 1, as shown below

The General Obligation Refunding Bonds, Series 2003 (the "2003 Bonds") are issuable as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2003 Bonds. Purchases of the 2003 Bonds will be made in book-entry only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the 2003 Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2003 Bonds. Interest is payable on July 1, 2003, and on each January 1 and July 1, thereafter. So long as DTC or its nominee is the registered owner of the 2003 Bonds, payments of the principal or redemption price of and interest on the 2003 Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE 2003 BONDS - Global Book-Entry Bonds." The First National Bank in Brookings, Brookings, South Dakota, will act as Paying Agent and Registrar for the 2003 Bonds. For terms relating to payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see "THE 2003 BONDS."

The 2003 Bonds are subject to optional redemption prior to maturity at any time on or after July 1, 2007, as described herein.

**MATURITY SCHEDULE**

<u>July 1</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>July 1</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
2003	\$ 25,000	1.35%	100.00%	2007	\$ 100,000	2.45%	100.00%
2004	95,000	1.45	100.00	2008	100,000	2.90	100.00
2005	100,000	1.65	100.00	2009	105,000	3.25	100.00
2006	100,000	2.05	100.00				

The proceeds of the 2003 Bonds shall be used, together with certain funds of the District, for the purpose of (1) paying the principal of and interest on \$670,000 principal amount of General Obligation Refunding Bonds, Series 1997, of the District, date of original issue- September 15, 1997 (the "Refunded Bonds"), called for redemption on April 15, 2003, and (2) paying issuance costs of the 2003 Bonds.

In the opinion of Bond Counsel, the 2003 Bonds are a direct general obligation of the District, payable from ad valorem taxes to be levied on all taxable property located therein, without limitation as to rate or amount.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The 2003 Bonds are offered in book-entry form, when, as and if issued and received by the Underwriter and subject to the approval of legality by Messrs. Danforth, Meierhenry & Meierhenry, L.L.P., Attorneys-at-Law, Sioux Falls, South Dakota, Bond Counsel, and certain other conditions. It is expected that the 2003 Bonds will be available for delivery through The Depository Trust Company, in New York, New York, on or about April 15, 2003.

**AMERITAS INVESTMENT CORP.****MAR 24 2003****S.D. SEC. OF STATE****1200435**

The information contained in this Official Statement has been obtained from Mount Vernon School District 17-3 and other sources which are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information, and nothing contained in the Official Statement is, or shall be relied on, as a promise or representation by the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Official Statement is submitted in connection with the sale of securities as referred to therein, and may not be reproduced or be used, in whole or in part, for any other purpose. Neither delivery of the Official Statement nor any sale made thereunder shall create an implication that information therein is correct as of any time subsequent to its date.

No dealer, broker, salesman, or other person has been authorized by the School District or the Underwriter to give any information or to make any representations with respect to the 2003 Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2003 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN CONNECTION WITH THE OFFERING OF THE 2003 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH CERTIFICATES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT RELATING TO  
\$625,000  
MOUNT VERNON SCHOOL DISTRICT 17-3  
DAVISON COUNTY, SOUTH DAKOTA  
GENERAL OBLIGATION REFUNDING BONDS  
SERIES 2003**

**INTRODUCTION**

The purpose of this Official Statement which includes the cover page and the appendix is to set forth information concerning Mount Vernon County School District 17-3 (the "District"), and the District's \$625,000 General Obligation Refunding Bonds, Series 2003 (the "2003 Bonds"), dated the date of delivery thereof.

**PURPOSE AND AUTHORITY**

The proceeds of the 2003 Bonds shall be used, together with certain funds of the District, for the purpose of (1) paying the principal of and interest on \$670,000 principal amount of General Obligation Refunding Bonds, Series 1997, of the District, date of original issue- September 15, 1997 (the "Refunded Bonds"), called for redemption on April 15, 2003, and (2) paying issuance costs of the 2003 Bonds.

The 2003 Bonds have been issued pursuant to a resolution duly adopted by the Board of Education in accordance with Sections 6-8B-30 to 6-8B-52, inclusive, South Dakota Codified Laws (Public Securities Refunding Law.)

**SECURITY**

The Board of Education shall cause to be levied and collected annually a special levy of taxes on all the taxable property in the District, for the purpose of paying and sufficient to pay the interest and principal of the 2003 Bonds as and when such interest and principal become due according to the terms thereof. In the opinion of bond counsel, the 2003 Bonds are a direct general obligation of the District payable from ad valorem taxes to be levied on all taxable property located therein, without limitation as to rate or amount.

**THE 2003 BONDS**

The 2003 Bonds will be issued in the aggregate principal amount of \$625,000, will be dated the date of delivery thereof, bear interest (computed on the basis of a year of 360 days consisting of twelve thirty-day months) at specified rates, payable on July 1, 2003, and semiannually thereafter on January 1 and July 1 of each year (collectively, the "Interest Payment Dates"), and mature on the dates, all as set forth on the cover page of this Official Statement. The 2003 Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof. Initially, the 2003 Bonds will be issued using the services of The Depository Trust Company ("DTC") and will be registered in the name of Cede & Co. and will be made available to beneficial owners in book-entry only form, as described below.

**General**

The principal of and interest on the 2003 Bonds due at maturity or upon redemption prior to maturity are payable at the principal corporate trust office of First National Bank in Brookings, Brookings, South Dakota



(the "Registrar"), or of any successor paying agent and registrar appointed by the District, as provided in the Resolution, upon presentation and surrender thereof. Interest on the 2003 Bonds due prior to maturity or earlier date of redemption will be paid to the registered owners thereof as of the close of business on the fifteenth day of the calendar month next preceding each Interest Payment Date (the "Record Date") and will be paid by check or draft drawn on the Registrar and mailed on each Interest Payment Date to the registered owners thereof at the addresses shown on the registration books maintained by the Registrar notwithstanding the cancellation of any such 2003 Bond upon any exchange or transfer thereof subsequent to the Record Date and prior to such Interest Payment Date. The principal of and interest on the 2003 Bonds will be paid in lawful money of the United States of America. The foregoing procedures and methods for payment will apply in the event that provisions for global book-entry bonds as described below cease to be in effect and will apply to the holding and transfer of 2003 Bonds by DTC subject to certain modifications provided for in a Letter of Representations between the District, the Registrar and DTC.

### **Global Book-Entry Bonds**

The 2003 Bonds will be available to the ultimate purchasers in global book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the 2003 Bonds will not receive certificates representing their interests in the 2003 Bonds purchased, except as described below.

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the 2003 Bonds, payment of interest and other payments on the 2003 Bonds to Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2003 Bonds, confirmation and transfer of beneficial ownership interests in the 2003 Bonds and other related transactions by and between DTC, Participants and Beneficial Owners of the 2003 Bonds, is based solely on information furnished by DTC to the District for inclusion in this Official Statement. Accordingly, the District and the Registrar do not make any representations concerning these matters, and the Beneficial Owners of the 2003 Bonds should not rely on the following information with respect to such matters, but should instead confirm the same with the Participants from whom they purchased the 2003 Bonds.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2003 Bond certificate will be issued for each separate maturity of the 2003 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participant's accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is

owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2003 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2003 Bonds, except in the event that use of the book-entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents relating to the 2003 Bonds. For example, Beneficial Owners of 2003 Bonds may wish to ascertain that the nominee holding the 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2003 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Registrar) as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar (from funds provided by the District), disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2003 Bonds at any time by giving reasonable notice to the District or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2003 Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the 2003 Bonds will be printed and delivered.

The information under this subcaption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The District and the Registrar will not have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal or redemption price of or interest on the 2003 Bonds; (iii) any notice which is permitted or required to be given to bondholders under the Resolution; (iv) the selection by DTC or any Direct or Indirect Participant of any person to receive payment in the event of a partial redemption of the 2003 Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

The information included under this subcaption, other than in this paragraph, the preceding paragraph hereof and the first two full paragraphs under this subcaption, has been provided by DTC. No representation is made by the District or the Registrar as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof. The Beneficial Owners of the 2003 Bonds will rely on DTC Participants or Indirect Participants for timely payments and other notices and for otherwise making available to the Beneficial Owners the rights of a bondholder. No assurances can be given, in the event of the bankruptcy or insolvency of DTC or the Direct Participant or Indirect Participant through which a Beneficial Owner holds beneficial interest in the 2003 Bonds, that payment will be made by DTC, the Direct Participant or the Indirect Participant on a timely basis.

#### **Notice to Bondholders**

Notice of any proposed modification or amendment of the Resolution by means of a supplemental Resolution that is to be effective with the consent of the registered owners of the 2003 Bonds as well as all notices of



redemption will be mailed to DTC, as the registered owner of the 2003 Bonds then outstanding.

No assurance can be given by the District or the Registrar that DTC will distribute to the Participants, or that the Participants will distribute to the Beneficial Owners, (i) payment of debt service on the 2003 Bonds paid to DTC, or its nominee, as the registered owner, or (ii) any redemption or other notices, or that DTC or the Participants will serve and act on a timely basis or in the manner described in this Official Statement.

### **Optional Redemption**

The 2003 Bonds are subject to redemption at the option of the District prior to maturity at any time on or after July 1, 2007, in whole or in part in inverse order of maturity, with no less than 30 days and no more than 60 days written notice, at the principal amount thereof plus accrued interest to the date fixed for redemption. The District may select 2003 Bonds to be redeemed in its sole discretion, including particular maturities as it deems appropriate.

### **Redemption--2003 Bonds Held by DTC**

If the 2003 Bonds are being held by DTC under the book-entry system and less than all of such 2003 Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Participant in such maturity to be called for redemption, and each Participant is to then select by lot the ownership interest in such maturity to be redeemed. See "THE 2003 BONDS - Global Book-Entry Bonds" herein.

### **Notice of Redemption: Effect of Redemption**

Notice of call for redemption, identifying the 2003 Bonds or portions thereof to be redeemed shall be given by the Registrar by mail, sent to the registered owners of the 2003 Bonds to be redeemed (initially, Cede & Co.) at their registered addresses as shown on the registration books maintained by the Registrar, first class, postage prepaid, not less than thirty (30) days prior to the date fixed for redemption. Failure to give notice to any registered owner or any defect in the notice shall not affect the validity of the proceedings calling the 2003 Bonds or the redemption of any 2003 Bonds for which proper notice has been given. The District shall have the right to direct further notice of redemption for any 2003 Bond for which defective notice has been given.

### **Transfer of 2003 Bonds**

The 2003 Bonds are transferable upon presentation for cancellation to the Registrar at its principal corporate trust office in Brookings, South Dakota. To be transferred, any 2003 Bonds must be accompanied by a written instrument of transfer in form satisfactory to the Registrar and must be accompanied by such signature guaranties and other evidence as the Registrar may require. Upon surrender of any 2003 Bond in proper form, the Registrar will deliver at its office or send by registered mail to the transferee owner or owners at such transferee owner's or owners' risk and expense, a new 2003 Bond or 2003 Bonds of the same maturity, interest rate and aggregate principal amount registered in the name of the transferee owner or owners. To the extent of the denominations permitted by the Resolution, one 2003 Bond may be transferred for several 2003 Bonds of a like maturity, interest rate and aggregate principal amount and several 2003 Bonds may be transferred for one or several 2003 Bonds, respectively, of the same maturity, interest rate and aggregate principal amount. Transfer of interests by Beneficial Owners, so long as there is a securities depository serving will be governed by the procedures described under "THE 2003 BONDS - Global Book-Entry Bonds" herein.

## SOURCES AND APPLICATIONS OF FUNDS

Following are the estimated sources and applications of funds:

### Sources of Funds:

Bond Proceeds	\$625,000.00
Deposit of District funds for called bonds	<u>67,078.11</u>
Total	<u>\$692,078.11</u>

### Applications of Funds:

Redemption of Bonds	\$679,578.11
Estimated Issuance Expenses (Including Underwriter's discount)	<u>12,500.00</u>
Total	<u>\$692,078.11</u>

## DEBT SERVICE ON 2003 BONDS

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 25,000	\$ 9,913.03	\$ 34,913.03
2005	95,000	13,151.25	108,151.25
2006	100,000	11,637.50	111,637.50
2007	100,000	9,787.50	109,787.50
2008	100,000	7,537.50	107,537.50
2009	100,000	4,862.50	104,862.50
2010	<u>105,000</u>	<u>1,706.25</u>	<u>106,706.25</u>
	<u>\$625,000</u>	<u>\$58,595.53</u>	<u>\$683,595.53</u>

## FINANCIAL STATEMENT MOUNT VERNON SCHOOL DISTRICT 17-3

Actual Valuation (2002)	\$65,263,477
General Obligation Debt	
Series 2003 Bonds (this issue)	425,000
Series 2002 Certificates	385,000
Ratio of Direct Debt to Actual Valuation	1.24%
Direct, Overlapping and Underlying G.O. Debt	1,048,000
Ratio of Direct, Overlapping and Underlying Debt to Actual Valuation	1.61%
Square miles in District (approx)	164
Acres in District (approx)	104,960
Estimated District Population	1,192

**Overlapping Debt:**  
**Davison County**



Actual Valuation (2002)	\$604,121,231
General Obligation Debt (10.8% applicable to District)	-0-

**Underlying Debt:**

**Town of Mount Vernon**

Actual Valuation (2002)	\$6,105,945
General Obligation Debt (100.00% applicable to District)	\$238,000

**THE SCHOOL DISTRICT**

**Administration**

The District is governed by a Board of Education, which is composed of five elected Board members. The Superintendent of Schools is an appointed official. The Secretary of the Board is the Superintendent. The Board is responsible for the organizational and financial control of the District. The Superintendent is responsible for the administration of the District's business affairs and the supervision of instruction.

The present members of the Board of Education and the expiration of respective terms of office are as follows:

<u>Board Member</u>	<u>Term Expires</u>
Ron Long	July 2005
Tom Starr	July 2003
Loren Brech	July 2004
Douglas Hanson	July 2003
Larry Hostler	July 2004

The Superintendent of Schools is Perry Hansen who joined the Mount Vernon School District in 2001. Assisting the Superintendent are the following members of the administrative staff:

<u>Name</u>	<u>Title</u>
Albert Schulz	Secondary Principal
Perry Hansen	Elementary Principal
Lory DuFrain	Business Manager

### **Budgetary Process**

The Superintendent, with input from his staff, principals and interested community groups, prepares a recommended budget and submits it to the Board, which may modify it. The Board adopts a budget which is submitted along with the Annual Financial report to the Davison County Auditor. The budget is designated as the Official Budget and governs the general operations for the fiscal year unless amended by the Board. The budget process begins in January and is passed at the regular Board of Education meeting in July.

### **Employee Relations**

The District's teachers are represented by the Mount Vernon Education Association. The Board believes that its relationship with the employees is excellent. Negotiations for the teachers' contract for the 2002-03 school year were completed May 2002.

### **Statistical Data**

#### **Five-Year Staffing Levels** (Full-Time Equivalent)

<u>Year</u>	<u>Number</u>
1998-99	38
1999-00	38
2000-01	38
2001-02	40
2002-03	40

Source: Mount Vernon School District

#### **Values for Tax Levy Purposes**

<u>Year</u>	<u>Actual Valuation</u>
1998	47,103,376
1999	57,921,043
2000	59,212,706
2001	59,392,040
2002	65,263,477

Source: Mount Vernon School District

#### **Enrollment**

<u>Year</u>	<u>Enrollment</u>
1998-99	270
1999-00	277
2000-01	272
2001-02	284
2002-03	269

Source: Mount Vernon School District

### Tax Rates

School Year	General Fund		Owner	Spec Ed	Cap	Bond
	Ag	Non-Ag	Occupied		Outlay	Redemption
2002-03	3.74	4.74	6.02	1.40	3.00	1.78
2001-02	4.04	13.93	6.50	1.30	3.00	1.97
2000-01	3.33	13.93	5.36	.77	3.00	1.96
1999-00	4.70	16.15	7.56	.74	2.46	2.05
1998-99	4.73	16.25	7.61	1.02	2.99	2.59

Source: Mount Vernon School District

### **GENERAL INFORMATION**

Mount Vernon School District 17-3 is located in the town of Mount Vernon which is approximately 12 miles west of Mitchell, South Dakota on Interstate 90. The District operates a kindergarten through grade twelve accredited school facility. The school has a staff of 25 classroom teachers.

The town of Mount Vernon has an estimated population of 477 and has a Mayor-Council form of government. Mitchell, South Dakota is the county seat and has a population base of approximately 13,798. All commercial, medical and transportation services can be found there.

Mount Vernon owns and operates its own water and sanitary sewer systems. Financial needs are serviced in town by the CorTrust Bank.

### **TAX EXEMPTION**

Under the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2003 Bonds will not be includable in gross income for purposes of determining federal income taxes. Certain features of the Code with respect to interest on the 2003 Bonds are described in the following paragraphs.

1. The 2003 Bonds are not Private Activity Bonds. The 2003 Bonds are being issued for essential governmental purposes of the District and will not be "private activity bonds" as described in the Code. In connection with the issuance of the 2003 Bonds, the District will certify that none of the proceeds of the 2003 Bonds will be used to acquire property for which any person will be a user other than as a member of the general public under the terms of the Code, subject to certain limitations provided for in the Code. The District will also certify that none of the proceeds of the 2003 Bonds will be used to make or finance loans to any persons. Because the 2003 Bonds will not be "private activity bonds," as described in the Code, they will not be subject to the alternative minimum tax for individuals or corporations. For corporations, however, the 2003 Bonds, like all other tax-exempt bonds, will be subject to the additional minimum tax on "adjusted current earnings," which is referred to below.

2. The 2003 Bonds will not be Arbitrage Bonds under the Terms of the Code. In connection with the issuance of the 2003 Bonds, the District will certify certain of its expectations and anticipations with respect to the 2003 Bonds. The 2003 Bonds are not expected to be subject to the rebate requirements as described in the Code. Under certain circumstances, failure to pay rebates on a timely basis can result in a retroactive loss

of tax-exempt status for municipal obligations. Although the Code provides that the determination of whether or not a bond is an arbitrage bond is to be based upon reasonable expectations at the time of issuance, it also contains language which indicates that a bond is to be treated as an arbitrage bond "if the issuer intentionally uses any portion of the proceeds of the issue" to acquire higher yielding investments or replace funds which were used directly or indirectly to acquire such higher yielding investments. The Resolution will include a covenant on the part of the District to take all actions necessary to preserve the tax-exempt status of interest on the 2003 Bonds under the Code.

3. Tax Consequences for Tax-Exempt Interest Income Under Certain Other Provisions of Federal Tax Laws. Under the Code while interest on the 2003 Bonds is exempt as to taxpayers generally, such income may be taken into consideration for purposes of computing certain other taxes imposed. Investors with social security or railroad retirement income may have a tax imposed upon such social security or railroad retirement income depending upon whether or not they have received tax-exempt income such as interest on the 2003 Bonds. Corporations subject to the additional minimum tax on "adjusted current earnings" will be required to pay taxes on a portion of the interest income which is attributable to the 2003 Bonds. Such corporate income may also be subject to additional tax such as the environmental tax imposed by Section 59A of the Code. Casualty and insurance companies will be required to take into consideration tax-exempt interest income in determining losses for certain purposes. Foreign corporations may be required to take into account interest on the 2003 Bonds in computing the branch profits tax under Section 884 of the Code. Certain S Corporations may also be required to take interest on the 2003 Bonds into consideration for certain federal income tax purposes. Taxpayers with social security income or railroad retirement income, corporations subject to the additional minimum tax on "adjusted current earnings," casualty and insurance companies, foreign corporations and S Corporations should consult with their own tax advisors concerning the consequences of investment in the 2003 Bonds.

4. Interest Deduction for Financial Institutions. Under the Code, financial institutions are generally subject to a 100 percent disallowance of interest expense for interest which is attributable to carrying tax exempt obligations acquired after August 7, 1986. There is, however, under the Code, a permanent exception provided for certain bonds acquired from certain small issuers. Such exception applies if the following conditions are met:

- 1) The obligations must not be "private activity bonds."
- 2) The obligations must be issued by an issuer which reasonably anticipates that it will not issue more than \$10 million of tax exempt obligations during the calendar year in which the obligations are issued.
- 3) The issuer must designate the obligations as its "qualified tax exempt obligations."

In connection with the issuance of the 2003 Bonds, the District will certify and warrant that it does not anticipate issuing more than \$10 million of tax exempt obligations during the current calendar year. The resolution authorizing the issuance of the 2003 Bonds designates the 2003 Bonds as the District's "qualified tax exempt obligations" as described in the Code. The 2003 Bonds will not be private activity bonds, as discussed above. Financial institutions considering investing in the 2003 Bonds should, however, consult with their own tax advisors concerning the potential consequences of investing in the 2003 Bonds.

## **LITIGATION**

No litigation is pending or, to the knowledge of the District, threatened in any court to restrain or enjoin the issuance or delivery of any of the 2003 Bonds, or attacking in a material way the District's ability to levy taxes to pay the 2003 Bonds or in any way contesting or affecting the validity of the 2003 Bonds or the resolution authorizing the 2003 Bonds or contesting the power or authority of the District to enact such resolution.

## **UNDERWRITING**

Ameritas Investment Corp., as Underwriter, has agreed, subject to certain conditions, to purchase the 2003 Bonds from the District at a purchase price of 98% of the principal amount plus accrued interest. The Underwriter will be obligated to purchase all such 2003 Bonds if any such 2003 Bonds are purchased. The 2003 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriter.

While the Underwriter expects, insofar as possible, to maintain a secondary market for the 2003 Bonds, no assurance can be given concerning the future maintenance of such a market by the Underwriter or others, and prospective purchasers of the 2003 Bonds should therefore be prepared to hold their 2003 Bonds to their maturity. No contractual arrangements have been made for the District to provide continuing disclosure information to any repository or other information service.

The principal amount of the 2003 Bonds is less than \$1,000,000. The District has represented that it has not issued within six months before the date of issuance of the 2003 Bonds and will not issue within six months after the date of issuance of the 2003 Bonds, other obligations of the District of substantially the same security and providing financing for the same general purpose or purposes as the 2003 Bonds. Because the aggregate principal thereunder is less than \$1,000,000, the terms of 17 C.F.R. S 240.15c2-12 are inapplicable to the 2003 Bonds. Based on the above expectations, no contractual arrangements have been made for the District to provide continuing disclosure information to any repository or other information service.

## **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization and issuance of the 2003 Bonds are subject to the unqualified approving opinion of Messrs. Danforth, Meierhenry & Meierhenry, L.L.P., Bond Counsel.

## **MISCELLANEOUS**

The information contained in this Official Statement has been compiled or prepared from information obtained from the District and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

## **MOUNT VERNON SCHOOL DISTRICT 17-3**

By: /s/ Douglas Hanson  
President

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APPENDIX A

EXTRACT FROM AUDIT REPORT

MT. VERNON SCHOOL DISTRICT NO. 17-3

OF DAVISON COUNTY

FOR THE FISCAL YEAR JULY 1, 2000 TO JUNE 30, 2001

AND

FOR THE FISCAL YEAR JULY 1, 2001 TO JUNE 30, 2002

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*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

Phone: 605-928-7241

FAX No.: 605-928-1441

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

School Board  
Mount Vernon School District No. 17-3  
Davison County, South Dakota

We have audited the accompanying general-purpose financial statements of Mount Vernon School District No. 17-3, Davison County, South Dakota, as of June 30, 2002, and for each of the years in the biennial period then ended, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of Mount Vernon School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Mount Vernon School District No. 17-3 as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

In Accordance with Government Auditing Standards, we have also issued our report dated September 16, 2002, on our consideration of Mount Vernon School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of this audit, this report should be read along with the independent auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Mount Vernon School District No. 17-3 taken as a whole. The combining financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis, including the schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Schoenfish & Co., Inc.*  
Schoenfish & Co. Inc.  
Certified Public Accountants

September 16, 2002

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES			FIDUCIARY FUND TYPES			ACCOUNT GROUPS		
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TRUST AND AGENCY FUNDS	GENERAL ASSETS	FIXED ASSETS	LONG-TERM DEBT			
<b>ASSETS:</b>												
<b>Current Assets:</b>												
Cash/Cash and Deposits	\$ 28,125.92	\$ 1,201.28	\$ 4,702.31	\$ 252.45	\$ 505.26	\$ 18,137.91						
Petty Cash	150.00											
Cash Change	230.00											
Interest Bearing Accounts	269,924.00	156,390.22	68,720.00	8,440.81								
Savings Certificates	130,000.00	10,000.00			13,000.00							
Taxes Receivable--Current	147,238.56	126,722.07	58,149.16									
Taxes Receivable--Delinquent	6,663.36	3,466.82	2,025.59									
Accounts Receivable	18,926.47			1,027.35								
Advance to Imprest Fund	3,000.00											
Inventory of Stores Purchased for Resale				1,164.27								
Inventory of Donated Food				1,183.17								
<b>Total Current Assets</b>	<u>\$ 604,258.31</u>	<u>\$ 297,780.39</u>	<u>\$ 133,597.06</u>	<u>\$ 12,068.05</u>	<u>\$ 13,505.26</u>	<u>\$ 18,137.91</u>						
<b>Fixed Assets:</b>												
Land								\$ 16,652.52				
Buildings								3,025,423.19				
Improvements Other Than Buildings								57,254.46				
Machinery and Equipment--Local Funds				\$ 44,961.89				660,273.68				
Machinery and Equipment--Federal Assistance				( 33,392.94)				66,474.80				
Accumulated Depreciation-Machinery and Equipment-Local Funds				<u>\$ 11,568.95</u>				<u>\$ 3,826,078.65</u>				
<b>Total Fixed Assets</b>												
<b>Other Debits:</b>												
Amount to be Provided for Payment of General												
Long-Term Debt												\$ 1,053,189.39
Amount Available for Payment of General												
Long-Term Debt												73,422.31
<b>Total Other Debits</b>												<u>\$ 1,126,611.70</u>
<b>TOTAL ASSETS</b>	<u>\$ 604,258.31</u>	<u>\$ 297,780.39</u>	<u>\$ 133,597.06</u>	<u>\$ 23,637.00</u>	<u>\$ 13,505.26</u>	<u>\$ 18,137.91</u>						<u>\$ 1,126,611.70</u>

The notes to the financial statements are an integral part of this statement.

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES			FIDUCIARY FUND TYPES		ACCOUNT GROUPS		
	GENERAL FUND	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TRUST AND AGENCY FUNDS	GENERAL FIXED ASSETS	LONG-TERM DEBT			
<u>LIABILITIES:</u>												
<u>Current Liabilities</u>												
Accounts Payable	\$ 4,451.78	\$ 2,425.70										
Contracts Payable	124,260.17	4,308.40			\$ 2,797.60		\$ 10,324.78					
Amounts Held for Others							3,000.00					
Advance from General Fund												
Payroll Deductions & Withholdings												
& Employer Matching Payable	38,820.40	1,230.32			341.39							
Deferred Revenue	153,901.92	130,188.89		60,174.75								
Total Current Liabilities	\$ 321,434.27	\$ 138,153.31		\$ 60,174.75	\$ 3,138.99		\$ 13,324.78					
<u>Long-Term Liabilities:</u>												
Bonds Payable												\$ 670,000.00
C.O. Certificates Payable												435,000.00
Other Long-Term Liabilities												21,611.70
Total Long-Term Liabilities												\$ 1,126,611.70
<u>TOTAL LIABILITIES</u>	\$ 321,434.27	\$ 138,153.31		\$ 60,174.75	\$ 3,138.99		\$ 13,324.78					\$ 1,126,611.70
<u>FUND EQUITY:</u>												
Fund Balance:												
Reserved:												
Reserved for Advances	\$ 3,000.00											
Reserved for Donations												
Unreserved:							\$ 4,813.13					
Undesignated	279,824.04	\$ 159,627.08		\$ 73,422.31								\$ 3,826,078.65
Investment in General Fixed Assets												
Retained Earnings:												
Unreserved Retained Earnings					\$(13,596.46)		\$ 13,505.26					
Contributions from Capital Outlay Fund					34,094.47							
Total Fund Equity	\$ 282,824.04	\$ 159,627.08		\$ 73,422.31	\$ 20,498.01		\$ 13,505.26					\$ 0.00
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	\$ 604,258.31	\$ 297,780.39		\$ 133,597.06	\$ 23,637.00		\$ 13,505.26					\$ 1,126,611.70

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GOVERNMENTAL FUND TYPES</u>			<u>FIDUCIARY FUND TYPES</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>EXPENDABLE TRUST FUNDS</u>
<u>REVENUE:</u>				
<u>Revenue From Local Sources:</u>				
Taxes	\$ 304,794.47	\$241,313.06	\$118,144.52	
Tuition and Fees	330.00			
Earnings on Investments & Deposits	19,689.03			\$ 161.34
Cocurricular Activities	15,575.20			
Other Revenue from Local Sources	<u>17,265.52</u>	<u>15,185.43</u>		
Total Revenue from Local Sources	\$ <u>357,654.22</u>	\$ <u>256,498.49</u>	\$ <u>118,144.52</u>	\$ <u>161.34</u>
<u>Revenue from Intermediate Sources:</u>				
County Sources	\$ <u>23,428.31</u>			
Total Revenue from Intermediate Sources	\$ <u>23,428.31</u>			
<u>Revenue From State Sources:</u>				
Grants-in-Aid	\$ <u>970,871.23</u>	\$ <u>30,830.56</u>		
Total Revenue from State Sources	\$ <u>970,871.23</u>	\$ <u>30,830.56</u>		
<u>Revenue From Federal Sources:</u>				
Grants-in-Aid	\$ <u>185,628.43</u>	\$ <u>19,769.89</u>		
Other Federal Revenue	<u>73,703.06</u>			
Total Federal Revenue	\$ <u>259,331.49</u>	\$ <u>19,769.89</u>		
<u>TOTAL REVENUE</u>	\$ <u>1,611,285.25</u>	\$ <u>307,098.94</u>	\$ <u>118,144.52</u>	\$ <u>161.34</u>

EXPENDITURES:Instruction:

Regular Programs	\$ 867,737.16	\$ 61,478.77	
Special Programs	64,503.12	49,385.54	
Adult Continuing Ed. Programs	<u>432.61</u>		
Total Instruction	\$ <u>932,672.89</u>	\$ <u>110,864.31</u>	

Support Services:

Pupils	\$ 44,673.29	\$ 68,163.15	
Instructional Staff	130,315.45		
General Administration	47,405.34		
School Administration	159,366.26		
Business	<u>228,522.54</u>	<u>199,460.02</u>	
Other Support Services			\$ <u>200.00</u>
Total Support Services	\$ <u>610,282.88</u>	\$ <u>267,623.17</u>	\$ <u>200.00</u>

Community Services:

Custody and Care of Children Services	\$ <u>34,889.13</u>		
Total Community Services	\$ <u>34,889.13</u>		

Debt Services:

\$343,832.89    \$117,235.00

Cocurricular Activities:

Male Activities	\$ 18,877.40		
Female Activities	17,223.96		
Transportation	7,860.23		
Combined Activities	<u>30,161.70</u>		
Total Cocurricular Activities	\$ <u>74,123.29</u>		

The notes to the financial statements are an integral part of this statement.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GOVERNMENTAL FUND TYPES</u>			<u>FIDUCIARY</u>
	<u>GENERAL</u>	<u>SPECIAL</u>	<u>DEBT</u>	<u>FUND TYPES</u>
		<u>REVENUE</u>	<u>SERVICE</u>	<u>EXPENDABLE</u>
				<u>TRUST FUNDS</u>
<u>TOTAL EXPENDITURES</u>	<u>\$1,651,968.19</u>	<u>\$ 722,320.37</u>	<u>\$ 117,235.00</u>	<u>\$ 200.00</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	<u>\$ ( 40,682.94)</u>	<u>\$ (415,221.43)</u>	<u>\$ 909.52</u>	<u>\$ ( 38.66)</u>
Other Financing Sources:				
Operating Transfers In		\$ 435,000.00		
Sale of Surplus Property		800.00		
Total Other Financing Sources (Uses)		<u>\$ 435,800.00</u>		
<u>EXCESS OF REVENUE AND OTHER SOURCES</u>				
<u>OVER (UNDER) EXPENDITURES AND OTHER USES</u>	<u>\$ ( 40,682.94)</u>	<u>\$ 20,578.57</u>	<u>\$ 909.52</u>	<u>\$ ( 38.66)</u>
<u>OTHER CHANGES IN UNRESERVED FUND BALANCE:</u>				
(Increase) Decrease in Reserves:				
(Decrease) in Reserve for Donations				<u>\$ 38.66</u>
<u>FUND BALANCE, (UNRESERVED) JULY 1, 2001</u>	<u>\$ 320,506.98</u>	<u>\$ 139,048.51</u>	<u>\$ 72,512.79</u>	<u>\$ 0.00</u>
<u>FUND BALANCE (UNRESERVED) JUNE 30, 2002</u>	<u>\$ 279,824.04</u>	<u>\$ 159,627.08</u>	<u>\$ 73,422.31</u>	<u>\$ 0.00</u>

The notes to the financial statements are an integral part of this statement.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366



COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL--GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUNDS</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUE:</u>						
<u>Revenue from Local Sources:</u>						
<u>Taxes:</u>						
Ad Valorem Taxes	\$272,445.00	\$272,765.50	\$ 320.50	\$229,250.00	\$236,989.01	\$ 7,739.01
Prior Years' Ad Valorem Taxes	8,500.00	5,029.54	( 3,470.46)	4,500.00	2,612.45	( 1,887.55)
Gross Receipts Taxes	22,000.00	24,080.90	2,080.90			
Other Taxes	2,000.00	1,475.26	( 524.74)	650.00	778.80	128.80
Penalties and Interest on Taxes	2,000.00	1,443.27	( 556.73)	850.00	932.80	82.80
Total Taxes	\$306,945.00	\$304,794.47	\$ ( 2,150.53)	\$235,250.00	\$241,313.06	\$ 6,063.06
<u>Tuition and Fees:</u>						
Adult Continuing Education Tuition	\$ 500.00	\$ 330.00	\$ ( 170.00)			
<u>Earnings on Investments &amp; Deposits:</u>						
Interest Earned	\$ 25,000.00	\$ 19,689.03	\$ ( 5,310.97)			
<u>Cocurricular Activities:</u>						
Admissions	\$ 9,000.00	\$ 15,575.20	\$ 6,575.20			
<u>Other Revenue from Local Sources:</u>						
Rentals	\$ 1,000.00	\$ 925.00	\$ ( 75.00)			
Day Care Services	6,600.00	7,278.12	678.12			
Other	17,500.00	9,062.40	( 8,437.60)			
Total Other Revenue from Local Sources	\$ 25,100.00	\$ 17,265.52	\$ ( 7,834.48)	\$ 0.00	\$ 15,185.43	\$ 15,185.43
<u>TOTAL REVENUE FROM LOCAL SOURCES</u>	<u>\$366,545.00</u>	<u>\$357,654.22</u>	<u>\$ ( 8,890.78)</u>	<u>\$235,250.00</u>	<u>\$256,498.49</u>	<u>\$ 21,248.49</u>
<u>Revenue from Intermediate Sources:</u>						
County Apportionment	\$ 19,000.00	\$ 23,428.31	\$ 4,428.31			
<u>TOTAL REVENUE FROM INTERMEDIATE SOURCES</u>	<u>\$ 19,000.00</u>	<u>\$ 23,428.31</u>	<u>\$ 4,428.31</u>			

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>SPECIAL REVENUE FUNDS</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>BUDGET</u>	<u>ACTUAL</u>	
<u>Revenue from State Sources:</u>						
<u>Grants-In-Aid:</u>						
Unrestricted Grants-in-Aid	\$ 974,600.00	\$ 970,871.23	\$ ( 3,728.77)	\$ 21,160.00	\$ 30,830.56	\$ 9,670.56
Restricted Grants-in-Aid	\$ 974,600.00	\$ 970,871.23	\$ ( 3,728.77)	\$ 21,160.00	\$ 30,830.56	\$ 9,670.56
Total Grants-In-Aid	\$ 974,600.00	\$ 970,871.23	\$ ( 3,728.77)	\$ 21,160.00	\$ 30,830.56	\$ 9,670.56
<u>TOTAL REVENUE FROM STATE SOURCES</u>						
<u>Revenue from Federal Sources:</u>						
<u>Grants-In-Aid:</u>						
Restricted Grants-in-Aid Received from Federal Government through the State	\$ 194,936.00	\$ 185,628.43	\$ ( 9,307.57)	\$ 11,000.00	\$ 19,769.89	\$ 8,769.89
Total Grants-In-Aid	\$ 194,936.00	\$ 185,628.43	\$ ( 9,307.57)	\$ 11,000.00	\$ 19,769.89	\$ 8,769.89
Other Federal Revenue	\$ 84,700.00	\$ 73,703.06	\$ (10,996.94)			
TOTAL REVENUE FROM FEDERAL SOURCES	\$ 279,636.00	\$ 259,331.49	\$ (20,304.51)	\$ 11,000.00	\$ 19,769.89	\$ 8,769.89
<u>TOTAL REVENUE</u>	\$1,639,781.00	\$1,611,285.25	\$ (28,495.75)	\$267,410.00	\$307,098.94	\$ 39,688.94
<u>EXPENDITURES:</u>						
<u>Instruction:</u>						
<u>Regular Programs:</u>						
Elementary	\$ 251,610.00	\$ 248,339.33	\$ 3,270.67	\$ 11,400.00	\$ 3,791.22	\$ 7,608.78
Middle/Junior High	226,015.00	222,982.06	3,032.94	11,400.00	1,687.33	9,712.67
High School	378,098.00	363,426.62	14,671.38	58,890.00	56,000.22	2,889.78
Preschool Services	25,405.00	19,300.52	6,104.48			
Class Size Reduction Program	13,712.00	13,688.63	23.37			
Total Regular Programs	\$ 894,840.00	\$ 867,737.16	\$ 27,102.84	\$ 81,690.00	\$ 61,478.77	\$ 20,211.23
<u>Special Programs:</u>						
Gifted and Talented	\$ 15,230.00	\$ 14,025.66	\$ 1,204.34			
Programs for Special Education				\$ 52,123.00	\$49,385.54	\$ 2,737.46
Educationally Deprived	48,874.00	47,504.42	1,369.58			
Basic Skills	2,975.00	2,973.04	1.96			
Total Special Programs	\$ 67,079.00	\$ 64,503.12	\$ 2,575.88	\$ 52,123.00	\$49,385.54	\$ 2,737.46

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	GENERAL FUND		SPECIAL REVENUE FUNDS	
	BUDGET	ACTUAL	BUDGET	ACTUAL
				VARIANCE FAVORABLE (UNFAVORABLE)
<u>Adult Continuing Education Program:</u>				
Other Adult Continuing Ed. Programs	\$ 1,500.00	\$ 432.61	\$ 1,067.39	
<u>TOTAL INSTRUCTION</u>	<u>\$963,419.00</u>	<u>\$932,672.89</u>	<u>\$ 30,746.11</u>	<u>\$110,864.31</u>
				\$ 22,948.69
<u>Support Services-Pupils:</u>				
Attendance and Social Work	\$ 4,235.00	\$ 2,258.95	\$ 1,976.05	
Guidance	42,437.00	41,891.71	545.29	
Health	675.00	522.63	152.37	
Psychological				
Speech Pathology & Audiology				\$ 29,400.00
Student Therapy Services				\$ 22,806.74
Total Support Services-Pupils	<u>\$ 47,347.00</u>	<u>\$ 44,673.29</u>	<u>\$ 2,673.71</u>	<u>\$ 6,593.26</u>
				19,500.00
				27,254.17
				( 7,754.17)
				12,000.00
				18,102.24
				( 6,102.24)
				\$ 60,900.00
				\$ 68,163.15
				( 7,263.15)
<u>Support Services-Instructional Staff:</u>				
Improvement of Instruction	\$ 55,000.00	\$ 47,498.30	\$ 7,501.70	
Educational Media	84,209.00	82,817.15	1,391.85	
Total Supp. Serv.-Instr. Staff	<u>\$139,209.00</u>	<u>\$130,315.45</u>	<u>\$ 8,893.55</u>	
<u>Support Services-Gen. Administration:</u>				
Board of Education	\$ 19,235.00	\$ 18,251.53	\$ 983.47	
Executive Administration	28,092.00	29,153.81	( 1,061.81)	
Total Supp. Serv.-Gen. Administration	<u>\$ 47,327.00</u>	<u>\$ 47,405.34</u>	<u>\$ ( 78.34)</u>	
<u>Support Services-School Administration:</u>				
Office of the Principal	\$119,027.00	\$121,263.17	\$ ( 2,236.17)	
Other	42,960.00	38,103.09	4,856.91	
Total Supp. Serv.-School Admin.	<u>\$161,987.00</u>	<u>\$159,366.26</u>	<u>\$ 2,620.74</u>	
<u>Support Services-Business</u>				
Fiscal Services	\$ 32,695.00	\$ 32,050.40	\$ 644.60	
Facilities Acquisition & Const.	1,500.00	0.00	1,500.00	
Operation & Maintenance of Plant	165,805.00	163,791.60	2,013.40	
Pupil Transportation	42,480.00	32,680.54	9,799.46	
Total Support Services-Business	<u>\$242,480.00</u>	<u>\$228,522.54</u>	<u>\$ 13,957.46</u>	
				\$ 71,934.00
				\$199,460.02
				\$(127,526.02)
				\$ 71,934.00
				\$199,460.02
				\$(127,526.02)

The notes to the financial statements are an integral part of this statement.



COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>SPECIAL REVENUE FUNDS</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>BUDGET</u>	<u>ACTUAL</u>	
<u>TOTAL SUPPORT SERVICES</u>	\$ 638,350.00	\$ 610,282.88	\$ 28,067.12	\$ 132,834.00	\$ 267,623.17	\$ (134,789.17)
<u>Community Services:</u>						
Custody and Care of Children	\$ 34,960.00	\$ 34,889.13	\$ 70.87			
<u>Debt Service</u>				\$ 74,850.00	\$ 343,832.89	\$ (268,982.89)
<u>Cocurricular Activities:</u>						
Male Activities	\$ 17,605.00	\$ 18,877.40	\$ ( 1,272.40)			
Female Activities	19,115.00	17,223.96	1,891.04			
Transportation	7,691.00	7,860.23	( 169.23)			
Combined Activities	34,335.00	30,161.70	4,173.30			
Total Cocurricular Activities	\$ 78,746.00	\$ 74,123.29	\$ 4,622.71			
<u>TOTAL EXPENDITURES</u>	\$ 1,715,475.00	\$ 1,651,968.19	\$ 63,506.81	\$ 341,497.00	\$ 722,320.37	\$ (380,823.37)
Excess of Revenue Over (Under)						
Expenditures	\$ ( 75,694.00)	\$ ( 40,682.94)	\$ 35,011.06	\$ (74,087.00)	\$ (415,221.43)	\$ (341,134.43)
<u>Other Financing Sources:</u>						
Proceeds of General Long-Term Liab.				\$ 0.00	\$ 435,000.00	\$ 435,000.00
Sale of Surplus Property				0.00	800.00	800.00
Total Other Financing Sources (Uses)				\$ 0.00	\$ 435,800.00	\$ 435,800.00
<u>EXCESS OF REVENUE AND OTHER SOURCES</u>						
OVER (UNDER) EXPENDITURES AND USES	\$ ( 75,694.00)	\$ ( 40,682.94)	\$ 35,011.06	\$ (74,087.00)	\$ 20,578.57	\$ 94,665.57
<u>FUND BALANCE (UNRESERVED) JULY 1, 2001</u>	\$ 320,506.98	\$ 320,506.98	\$ 0.00	\$ 139,048.51	\$ 139,048.51	\$ 0.00
<u>FUND BALANCE (UNRESERVED) JUNE 30, 2002</u>	\$ 244,812.98	\$ 279,824.04	\$ 35,011.06	\$ 64,961.51	\$ 159,627.08	\$ 94,665.57

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>ENTERPRISE</u> <u>FUNDS</u>	<u>INTERNAL</u> <u>SERVICE</u> <u>FUNDS</u>
<u>OPERATING REVENUE:</u>		
Sales: Pupils	\$ 35,763.15	
Adults	5,242.90	
Other	1,308.66	
Total Operating Revenue	<u>\$ 42,314.71</u>	
 <u>OPERATING EXPENSES:</u>		
Salaries	\$ 28,961.51	
Employee Benefits	3,659.12	
Purchased Services	717.62	
Supplies	2,091.33	
Cost of Sales-Purchased Food	34,509.17	
Cost of Sales-Donated Food	6,893.73	
Miscellaneous	1,233.12	
Depreciation-Local Funds	3,253.61	
Total Operating Expenses	<u>\$ 81,319.21</u>	
 <u>OPERATING (LOSS)</u>	 <u>\$ (39,004.50)</u>	
 <u>NONOPERATING REVENUE:</u>		
Cash Reimbursements-State Sources	\$ 797.01	
Cash Reimbursements-Federal Sources	31,656.80	
Donated Food-Federal Sources	6,889.67	
Total Nonoperating Revenue	<u>\$ 39,343.48</u>	
 <u>NET INCOME</u>	 <u>\$ 338.98</u>	
 <u>RETAINED EARNINGS (UNRESERVED) JULY 1, 2001</u>	 <u>\$ (13,935.44)</u>	<u>\$13,505.26</u>
 <u>RETAINED EARNINGS (UNRESERVED) JUNE 30, 2002</u>	 <u>\$ (13,596.46)</u>	<u>\$13,505.26</u>

The notes to the financial statements are an integral part of this statement.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>PROPRIETARY FUND TYPES</u>	
	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating Income	\$(39,004.50)	
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
(Increase) in Receivables	( 575.40)	
(Increase) in Inventory (Exclude Comm.)	( 37.80)	
Depreciation Expense	3,253.61	
(Decrease) in Salaries and Wages Payable	( 315.57)	
Commodities Expense related to Noncash Grant	6,893.73	
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>\$(29,785.93)</u>	
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Cash Reimbursements - State Sources	\$ 797.01	
Cash Reimbursements - Federal Sources	31,656.80	
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>		
<u>DURING THE FISCAL YEAR</u>	<u>\$ 2,667.88</u>	<u>\$ 0.00</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 8,693.26</u>	<u>\$13,505.26</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>6,025.38</u>	<u>13,505.26</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>		
<u>DURING THE FISCAL YEAR</u>	<u>\$ 2,667.88</u>	<u>\$ 0.00</u>
<u>Noncash Investing, Capital and Financing Activities:</u>		
Value of Commodities Received	<u>\$ 6,889.67</u>	

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>GOVERNMENTAL FUND TYPES</u>			<u>FIDUCIARY FUND TYPES</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>EXPENDABLE TRUST FUNDS</u>
<u>REVENUE:</u>				
<u>Revenue From Local Sources:</u>				
Taxes	\$ 319,812.49	\$207,256.51	\$119,172.87	
Earnings on Investments & Deposits	34,447.78			\$ 115.65
Cocurricular Activities	9,283.31			
Other Revenue from Local Sources	6,059.53	6,184.91		700.00
Total Revenue from Local Sources	\$ 369,603.11	\$213,441.42	\$119,172.87	\$ 815.65
<u>Revenue from Intermediate Sources:</u>				
County Sources	\$ 22,108.12			
Total Revenue from Intermediate Sources	\$ 22,108.12			
<u>Revenue From State Sources:</u>				
Grants-in-Aid	\$ 889,803.53	\$ 22,460.14		
Total Revenue from State Sources	\$ 889,803.53	\$ 22,460.14		
<u>Revenue From Federal Sources:</u>				
Grants-in-Aid	\$ 70,997.27	\$ 12,593.00		
Other Federal Revenue	59,417.99			
Total Federal Revenue	\$ 130,415.26	\$ 12,593.00		
<u>TOTAL REVENUE</u>	<u>\$1,411,930.02</u>	<u>\$248,494.56</u>	<u>\$119,172.87</u>	<u>\$ 815.65</u>
<u>EXPENDITURES:</u>				
<u>Instruction:</u>				
Regular Programs	\$ 745,806.59	\$ 39,430.11		
Special Programs	56,691.75	40,125.01		
Adult Continuing Education Programs	633.32			
Total Instruction	\$ 803,131.66	\$ 79,555.12		
<u>Support Services:</u>				
Pupils	\$ 41,553.75	\$ 59,126.23		
Instructional Staff	57,854.19			
General Administration	49,470.61			
School Administration	137,213.82			
Business	231,670.52	71,422.54		
Other Support Services				\$ 152.82
Total Support Services	\$ 517,762.89	\$130,548.77		\$ 152.82
<u>Community Services:</u>				
Custody and Care of Children Services	\$ 40,819.91			
<u>Debt Services:</u>		\$ 78,558.40	\$120,875.00	
<u>Cocurricular Activities:</u>				
Male Activities	\$ 14,314.75			
Female Activities	13,915.10			
Transportation	6,585.28			
Combined Activities	29,310.71			
Total Cocurricular Activities	\$ 64,125.84			

The notes to the financial statements are an integral part of this statement.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES
	GENERAL	SERVICE REVENUE	DEBT SERVICE	EXPENDABLE TRUST FUNDS
<u>TOTAL EXPENDITURES</u>	<u>\$1,425,840.30</u>	<u>\$288,662.29</u>	<u>\$120,875.00</u>	<u>\$ 152.82</u>
<u>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</u>	<u>\$( 13,910.28)</u>	<u>\$(40,167.73)</u>	<u>\$( 1,702.13)</u>	<u>\$ 662.83</u>
Other Financing Sources:				
Operating Transfers In			<u>\$ 50,000.00</u>	
Other Financing Uses:				
Operating Transfers Out	<u>\$( 50,000.00)</u>			
Total Other Financing Sources (Uses)	<u>\$( 50,000.00)</u>		<u>\$ 50,000.00</u>	
<u>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES:</u>	<u>\$( 63,910.28)</u>	<u>\$(40,167.73)</u>	<u>\$ 48,297.87</u>	<u>\$ 662.83</u>
<u>OTHER CHANGES IN UNRESERVED FUND BALANCE:</u>				
(Increase)/Decrease in Reserves:				
Decrease in Reserve for Advances		<u>\$ 50,000.00</u>		
(Increase) in Reserves for Donations				<u>\$( 662.83)</u>
<u>FUND BALANCE, (UNRESERVED) JULY 1, 2000</u>	<u>\$ 334,417.26</u>	<u>\$179,216.24</u>	<u>\$ 24,214.92</u>	<u>\$ 0.00</u>
<u>FUND BALANCE (UNRESERVED) JUNE 30, 2001</u>	<u>\$ 320,506.98</u>	<u>\$139,048.51</u>	<u>\$ 72,512.79</u>	<u>\$ 0.00</u>

The notes to the financial statements are an integral part of this statement.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
 P.O. Box 247  
 105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL-GENERAL FUND AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUE:</u>						
Revenue from Local Sources:						
<u>Taxes:</u>						
Ad Valorem Taxes	\$299,009.00	\$282,906.34	\$(16,102.66)	\$209,743.00	\$200,472.97	\$( 9,270.03)
Prior Years' Ad Valorem Taxes	7,000.00	9,804.90	2,804.90	2,500.00	5,039.40	2,539.40
Gross Receipts Taxes	21,500.00	23,017.89	1,517.89			
Other Taxes	4,000.00	1,824.17	( 2,175.83)	1,300.00	694.81	( 605.19)
Penalties and Interest on Taxes	3,500.00	2,259.19	( 1,240.81)	900.00	1,049.33	149.33
Total Taxes	\$335,009.00	\$319,812.49	\$(15,196.51)	\$214,443.00	\$207,256.51	\$( 7,186.49)
<u>Earnings on Investments &amp; Deposits:</u>						
Interest Earned	\$ 24,000.00	\$ 34,447.78	\$ 10,447.78			
<u>Curricular Activities:</u>						
Admissions	\$ 9,500.00	\$ 9,283.31	\$( 216.69)			
<u>Other Revenue from Local Sources:</u>						
Rentals	\$ 1,200.00	\$ 1,275.00	\$ 75.00			
Other	1,500.00	4,784.53	3,284.53	\$ 10,890.00	\$ 6,184.91	\$( 4,705.09)
Total Other Revenue - Local Sources	\$ 2,700.00	\$ 6,059.53	\$ 3,359.53	\$ 10,890.00	\$ 6,184.91	\$( 4,705.09)
<u>TOTAL REVENUE FROM LOCAL SOURCES</u>	<u>\$371,209.00</u>	<u>\$369,603.11</u>	<u>\$( 1,605.89)</u>	<u>\$225,333.00</u>	<u>\$213,441.42</u>	<u>\$(11,891.58)</u>
Revenue from Intermediate Sources:						
<u>County Sources:</u>						
County Apportionment	\$ 16,500.00	\$ 22,108.12	\$ 5,608.12			
<u>TOTAL REVENUE FROM INTERMEDIATE SOURCES</u>	<u>\$ 16,500.00</u>	<u>\$ 22,108.12</u>	<u>\$ 5,608.12</u>			
Revenue from State Sources:						
<u>Grants-In-Aid:</u>						
Unrestricted Grants-in-Aid	\$884,900.00	\$889,803.53	\$ 4,903.53	\$ 22,000.00	\$ 22,460.14	\$ 460.14
Restricted Grants-in-Aid				\$ 22,000.00	\$ 22,460.14	\$ 460.14
Total Grants-In-Aid	\$884,900.00	\$889,803.53	\$ 4,903.53	\$ 22,000.00	\$ 22,460.14	\$ 460.14
<u>TOTAL REVENUE FROM STATE SOURCES</u>	<u>\$884,900.00</u>	<u>\$889,803.53</u>	<u>\$ 4,903.53</u>			
Revenue from Federal Sources:						
<u>Grants-In-Aid:</u>						
Unrestricted Grants-in-Aid						
Received from Federal						

The notes to the financial statements are an integral part of this statement.



COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL-GENERAL FUND AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>GENERAL FUND</u>		<u>SPECIAL REVENUE FUNDS</u>	
	BUDGET	ACTUAL	BUDGET	ACTUAL
Government through the State	\$ 72,117.00	\$ 70,997.27		
Other Federal Revenue:	\$ 86,500.00	\$ 59,417.99	\$ 9,000.00	\$ 12,593.00
Total Revenue From Federal Sources	\$ 158,617.00	\$ 130,415.26		
<u>TOTAL REVENUE</u>	<u>\$1,431,226.00</u>	<u>\$1,411,930.02</u>	<u>\$256,333.00</u>	<u>\$248,494.56</u>
				\$ ( 7,838.44)
<u>EXPENDITURES:</u>				
<u>Instruction:</u>				
<u>Regular Programs:</u>				
Elementary	\$ 235,817.00	\$ 233,539.47	\$ 12,613.00	\$ 13,069.58
Middle/Junior High	218,824.00	205,631.77	12,977.00	8,287.14
High School	301,914.00	294,828.09	22,880.00	18,073.39
Preschool Services	7,307.00	972.11		
Class Size Reduction Program	10,846.00	10,835.15		
Total Regular Programs	\$ 774,708.00	\$ 745,806.59	\$ 48,470.00	\$ 39,430.11
<u>Special Programs:</u>				
Gifted and Talented	\$ 13,852.00	\$ 13,001.98		
Programs for Special Education			\$ 39,658.00	\$ 40,125.01
Educationally Deprived	41,876.00	40,859.91		
Basic Skills	2,830.00	2,829.86		
Total Special Programs	\$ 58,558.00	\$ 56,691.75	\$ 38,958.00	\$ 40,125.01
Adult Continuing Education Program:				
Other Adult Continuing Ed. Program	\$ 3,653.00	\$ 633.32		
<u>TOTAL INSTRUCTION</u>	<u>\$ 836,919.00</u>	<u>\$ 803,131.66</u>	<u>\$ 87,428.00</u>	<u>\$ 79,555.12</u>
				\$ 7,872.88
<u>Support Services-Pupils:</u>				
Attendance and Social Work	\$ 2,592.00	\$ 2,521.47	\$ 40.00	\$ 28.94
Guidance	39,677.00	38,387.69	670.00	159.15
Health	650.00	644.59		
Psychological				
Speech Pathology & Audiology			23,655.00	29,039.16
Student Therapy Services			23,000.00	18,442.16
Total Support Services-Pupils	\$ 42,919.00	\$ 41,553.75	2,140.00	11,456.82
			\$ 49,505.00	\$ 59,126.23
				\$ ( 9,621.23)

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL-GENERAL FUND AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GENERAL FUND		SPECIAL REVENUE FUNDS		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	
<u>Support Services-Instructional Staff:</u>					
Improvement of Instruction	\$ 15,596.00	\$ 15,592.82			\$ 3.18
Educational Media	42,862.00	42,261.37			600.63
Total Support Services-					
Instructional Staff	\$ 58,458.00	\$ 57,854.19			\$ 603.81
<u>Support Services-Gen. Administration:</u>					
Board of Education	\$ 20,930.00	\$ 20,774.02			\$ 155.98
Executive Administration	28,697.00	28,696.59			.41
Total Support Services-					
General Administration	\$ 49,627.00	\$ 49,470.61			\$ 156.39
<u>Support Services-</u>					
<u>School Administration:</u>					
Office of the Principal	\$111,823.00	\$108,134.19			\$ 3,688.81
Other	38,438.00	29,079.63			9,358.37
Total Support Services -					
School Administration	\$150,261.00	\$137,213.82			\$ 13,047.18
<u>Support Services-Business:</u>					
Fiscal Services	\$ 31,801.00	\$ 31,800.20			\$ .80
Facilities Acquisition & Constr.	1,500.00	950.00			550.00
Operation & Maintenance of Plant	162,543.00	162,154.40			388.60
Pupil Transportation	43,033.00	36,765.92			6,267.08
Food Service					
Total Support Services-					
Business	\$238,877.00	\$231,670.52			\$ 7,206.48
<u>TOTAL SUPPORT SERVICES</u>	<u>\$540,142.00</u>	<u>\$517,762.89</u>			<u>\$ 22,379.11</u>
<u>Community Services:</u>					
Custody and Care of Children	\$ 40,842.00	\$ 40,819.91			\$ 22.09

The notes to the financial statements are an integral part of this statement.



COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL-GENERAL FUND AND SPECIAL REVENUE FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>SPECIAL REVENUE FUNDS</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>BUDGET</u>	<u>ACTUAL</u>	
<u>Debt Service:</u>						
<u>Cocurricular Activities:</u>						
Male Activities	\$ 16,349.00	\$ 14,314.75	\$ 2,034.25			
Female Activities	17,759.00	13,915.10	3,843.90			
Transportation	8,209.00	6,585.28	1,623.72			
Combined Activities	31,620.00	29,310.71	2,309.29			
Total Cocurricular Activities	\$ 73,937.00	\$ 64,125.84	\$ 9,811.16			
Contingencies	\$ 4,000.00					
Amount Transferred	( 1,620.00)		\$ 2,380.00			
TOTAL EXPENDITURES	\$ 1,494,220.00	\$ 1,425,840.30	\$ 68,379.70	\$ 389,603.00	\$ 288,662.29	\$ 100,940.71
<u>EXCESS OF REVENUE OVER (UNDER)</u>						
<u>EXPENDITURES</u>	\$ ( 62,994.00)	\$ ( 13,910.28)	\$ 49,083.72	\$ (133,270.00)	\$ ( 40,167.73)	\$ 93,102.27
<u>Other Financing (Uses):</u>						
Operating Transfers Out	0.00	\$ ( 50,000.00)	\$ (50,000.00)			
Total Other Financing Sources	0.00	\$ ( 50,000.00)	\$ (50,000.00)			
<u>EXCESS OF REVENUE AND OTHER</u>						
<u>SOURCES OVER (UNDER)</u>	\$ ( 62,994.00)	\$ ( 63,910.28)	\$ ( 916.28)	\$ (133,270.00)	\$ ( 40,167.73)	\$ 93,102.27
<u>EXPENDITURES AND OTHER USES</u>						
<u>OTHER CHANGES IN UNRESERVED</u>						
<u>FUND BALANCE:</u>						
(Increase)/Decrease in Reserves:						
Decrease for Advances	0.00	\$ 50,000.00	\$ 50,000.00			
<u>FUND BALANCE (UNRESERVED)</u>	\$ 334,417.26	\$ 334,417.26	\$ 0.00	\$ 179,216.24	\$ 179,216.24	\$ 0.00
<u>JULY 1, 2000</u>						
<u>FUND BALANCE (UNRESERVED)</u>	\$ 271,423.26	\$ 320,506.98	\$ 49,083.72	\$ 45,946.24	\$ 139,048.51	\$ 93,102.27
<u>JUNE 30, 2001</u>						

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>ENTERPRISE</u> <u>FUNDS</u>	<u>INTERNAL</u> <u>SERVICE</u> <u>FUNDS</u>
<u>OPERATING REVENUE:</u>		
Sales: Pupils	\$ 28,411.21	
Adults	4,719.75	
Other	1,047.41	
Total Operating Revenue	<u>\$ 34,178.37</u>	
 <u>OPERATING EXPENSES:</u>		
Salaries	\$ 28,969.86	
Employee Benefits	3,708.29	
Purchased Services	764.58	
Supplies	2,647.84	
Cost of Sales-Purchased Food	31,840.13	
Cost of Sales-Donated Food	7,626.68	
Depreciation-Local Funds	3,462.63	
Total Operating Expenses	<u>\$ 79,020.01</u>	
 <u>OPERATING INCOME (LOSS)</u>	 <u>\$(44,841.64)</u>	
 <u>NONOPERATING REVENUE (EXPENSE):</u>		
Cash Reimbursements-State Sources	\$ 543.62	
Cash Reimbursements-Federal Sources	29,296.41	
Donated Food-Federal Sources	6,957.89	
Total Nonoperating Revenue	<u>\$ 36,797.92</u>	
 <u>NET INCOME (LOSS)</u>	 <u>\$( 8,043.72)</u>	
 <u>RETAINED EARNINGS (UNRESERVED) JULY 1, 2000</u>	 <u>\$( 5,891.72)</u>	<u>\$ 13,505.26</u>
 <u>RETAINED EARNINGS (UNRESERVED) JUNE 30, 2001</u>	 <u>\$(13,935.44)</u>	<u>\$ 13,505.26</u>

The notes to the financial statements are an integral part of this statement.

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COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>PROPRIETARY FUND TYPES</u>	
	<u>ENTERPRISE</u>	<u>INTERNAL</u>
	<u>FUNDS</u>	<u>SERVICE</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating Income	\$( 44,841.64)	\$ 0.00
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Decrease in Receivables	1,064.70	
Decrease in Inventory (Exclude Comm.)	188.57	
Depreciation Expense	3,462.63	
(Decrease) in Salaries and Wages Payable	( 1,318.25)	
Commodities Expense related to Noncash Group	7,626.68	
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>\$( 33,817.31)</u>	<u>\$ 0.00</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Cash Reimbursements - State Sources	\$ 543.62	
Cash Reimbursements - Federal Sources	29,296.41	
<u>NET INCREASE (DECREASE) IN CASH AND CASH</u>		
<u>EQUIVALENTS DURING THE FISCAL YEAR</u>	<u>\$( 3,977.28)</u>	<u>\$ 0.00</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 6,025.38</u>	<u>\$13,505.26</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>\$ 10,002.66</u>	<u>\$13,505.26</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH</u>		
<u>EQUIVALENTS DURING THE FISCAL YEAR</u>	<u>\$( 3,977.28)</u>	<u>\$ 0.00</u>
<u>Noncash Investing, Capital and Financing Activities:</u>		
Value of Commodities Received	\$ 6,957.89	
Equipment Contributed from Capital Outlay Fund	\$ 1,585.00	

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the school board of education.

The school district participates in a cooperative service unit with eleven other school districts. See detailed note entitled "Joint Ventures" for specific disclosures.

The accounting policies of the school district conform to generally accepted accounting principles as applicable to governments.

b. Fund Accounting:

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories and six generic fund types as follows:

Governmental Funds:

General Fund - the General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including

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NOTES TO THE FINANCIAL STATEMENTS  
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depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Food Service Fund is the only Enterprise Fund maintained by the school.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. The Unemployment Fund is the only internal service fund maintained by the school.

The proprietary funds do not apply all FASB Statements and Interpretations issued after November 30, 1989.

Fiduciary Funds:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

c. Fixed Assets And Long-Term Liabilities:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including curbs and gutters, sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of fixed assets are capitalized along with other fixed asset costs.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

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NOTES TO THE FINANCIAL STATEMENTS  
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Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

d. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. The revenues which were accrued at June 30, 2002, are grants from the State of South Dakota. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

e. Budgets and Budgetary Accounting:

The school district follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.

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NOTES TO THE FINANCIAL STATEMENTS  
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2. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in numbers 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2001 or 2002.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

f. Deposits and Investments:

The school follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The school deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The school's policy is to credit all income from investments to the General Fund except for the expendable trust fund.

The actual bank balances at June 30, 2002, were as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$197,704.41
Uninsured, collateral jointly held by state's/ school's agent in the name of the state and the pledging financial institution.	<u>556,475.03</u>
Total Deposits	<u>\$754,179.44</u>

The carrying amount of deposits on the June 30, 2002 balance sheet was \$709,400.16.

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

h. Interfund Receivables:

Noncurrent portions of long-term interfund loans receivable, reported in "Advance to" asset accounts, are equally offset by a fund balance reserve account which indicates they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long-term interfund loans receivable, reported in "Due from" asset accounts, are considered "available spendable resources."

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

i. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

j. Cash Flows:

The school district pools its cash resources for depositing and investing purposes. Proprietary Funds essentially have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the school district's taxes and remits them to the school district. School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Current year property taxes receivable which are not available as a resource that can be used to finance the current year's appropriations and therefore are not susceptible to accrual have been deferred and are not reported as revenue.

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the fiscal years ended June 30, 2002, is as follows:

	BALANCE 7-01-01	ADDITIONS	DELETIONS	BALANCE 6-30-02
Land	\$ 16,652.52			\$ 16,652.52
Buildings	2,818,731.99	\$ 206,691.20		3,025,423.19
Improvements Other Than Buildings	54,617.52	2,636.94		57,254.46
Machinery & Equipment- Local Funds	569,037.46	91,236.22		660,273.68
Machinery & Equipment- Federal Assistance	58,183.49	8,291.31		66,474.80
<b>TOTALS</b>	<b>\$3,517,222.98</b>	<b>\$ 308,855.67</b>	<b>\$ 0.00</b>	<b>\$3,826,078.65</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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4. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	GENERAL OBLIGATION REFUNDING BONDS	CAPITAL OUTLAY CERTIFICATES	FINANCING (CAPITAL ACQUISITIONS) LEASES-EQUIP.	FINANCING (CAPITAL ACQUISITIONS) LEASES-EQUIP.	FINANCING (CAPITAL ACQUISITION) LEASES	TOTALS
Debt Payable, July 1, 2000	\$ 830,000.00	\$ 0.00	\$ 8,668.75	\$ 49,635.15	\$ 335,811.26	\$1,224,115.16
New Issues:						
Capital Outlay Certificates						
Series 2002		435,000.00				435,000.00
Retired	( 160,000.00)		( 8,668.75)	(28,023.45)	(335,811.26)	( 532,503.46)
DEBT PAYABLE, JUNE 30, 2002	\$ 670,000.00	\$ 435,000.00	\$ 0.00	\$ 21,611.70	\$ 0.00	\$1,126,611.70

The refunded bonds were all paid off in FY 97-98 and are considered defeased. Therefore there are no debt service requirements on the refunded bonds by an escrow agent.

Debt payable at June 30, 2002, is comprised of the following:

General Obligation Bonds:

1997 General Obligation Refunding Bonds;  
Maturity Date of July 2009, Interest Rates  
of 4.25% to 5.15%, Payments made by Debt  
Service Fund \$ 670,000.00

Financing (Capital Acquisition) Leases:

Computers, Maturity Date December, 2003,  
Interest Rate 5.00%, Payments Made by Capital Outlay Fund \$ 21,611.70

Capital Outlay Certificates:

Capital Outlay Certificates Series 2002  
Maturity Date of January 2010 Interest  
Rates of 2.50% to 4.75%, Payments made  
by Capital Outlay Fund \$ 435,000.00

The purchase price at the commencement of the financing (capital acquisition) leases were:

Principal	\$ 69,920.00
Interest	9,248.60
TOTAL	\$ 79,168.60

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NOTES TO THE FINANCIAL STATEMENTS  
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The annual requirements to amortize all debt outstanding as of June 30, 2002, including interest payments of \$225,710.29, are as follows:

Annual Requirements to Amortize Long-Term Debt  
June 30, 2002

Year Ending June 30,	General Obligation	Capital Outlay Certificates	Financing (Capital Acquisition Leases-Equip.	Totals
2003	\$ 118,155.00	\$ 64,055.89	\$ 15,833.72	\$ 198,044.61
2004	114,160.00	65,845.00	6,597.38	186,602.38
2005	115,080.00	64,345.00		179,425.00
2006	115,670.00	62,595.00		178,265.00
2007	115,967.50	65,645.00		181,612.50
There- after	231,632.50	196,740.00		428,372.50
TOTAL	<u>\$ 810,665.00</u>	<u>\$519,225.89</u>	<u>\$ 22,431.10</u>	<u>\$1,352,321.99</u>

5. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the school district maintains only one enterprise fund which provides food service. The working capital of the Food Service Fund at June 30, 2002, is \$8,929.06.

6. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following represents the overdrafts of expenditures compared to appropriations for funds other than the General Fund:

<u>FUNCTION</u>	<u>YEAR ENDED 6-30-01</u>	<u>YEAR ENDED 6-30-02</u>
Capital Outlay Fund:		
Elementary	\$ 456.58	
Facilities Acq. & Const.		\$127,526.02
Food Services	1,585.00	
Debt Service		268,982.89
Special Education Fund:		
Programs for Special Ed.	1,167.01	
Psychological	5,384.16	
Speech Pathology		7,754.17
Student Therapy Services	9,316.82	6,102.24

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NOTES TO THE FINANCIAL STATEMENTS  
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7. DEFICIT FUND BALANCES

As of June 30, 2002, the following funds had deficit retained earnings in the amounts shown:

Food Service Fund	\$13,596.46
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The school board is considering increases in meal prices and transfers from the General Fund to eliminate this deficit.

8. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, S.D. 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 5.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The school's share of contributions to the SDRS for the fiscal years ended June 30, 2002, 2001 and 2000 was \$51,137.30, \$47,398.80, and \$41,138.71, respectively, equal to the required contributions each year.

9. LITIGATION

At June 30, 2002, the school was not involved in any litigation.

10. JOINT VENTURES

The school district participates in the Mid-Central Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

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The members of the co-op and their relative percentage participation in the co-op are as follows:

Armour School District	6.77%
Burke School District	7.16%
Colome School District	5.24%
Corsica School District	8.72%
Gregory School District	13.55%
Kimball School District	8.25%
Mt. Vernon School District	8.28%
Plankinton School District	5.51%
Platte School District	16.73%
Stickney School District	5.18%
White Lake School District	5.13%
Wessington Springs School District	9.48%

The co-op's governing board is composed of two representatives from each member school district, who are one school board member on the governing board and the superintendent on an advisory board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Mid-Central Cooperative. At June 30, 2002, this joint venture had total fund equity of \$1,763,825.65 and no long-term debt.

11. RISK MANAGEMENT

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2002, the school district managed its risks as follows:

Employee Health Insurance:

The school district joined the South Dakota Schools' Group Health Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$250/500 per person up to \$500 per family. The plan also provides for coinsurance of 80 percent up to \$5000. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

Liability Insurance:

The school district purchases liability insurance for risks related to torts; theft of or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

Workmen's Compensation:

The school district purchases liability insurance for workmen's compensation from a commercial carrier.

Unemployment Benefits:

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The school district has reserved equity in the Unemployment Fund in the amount of \$13,505.26 for the payment of future unemployment benefits.

During the two years ended June 30, 2002, no claims for unemployment benefits were paid. At June 30, 2002, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

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NOTES TO THE FINANCIAL STATEMENTS  
(continued)

The members of the co-op and their relative percentage participation in the co-op are as follows:

Armour School District	6.77%
Burke School District	7.16%
Colome School District	5.24%
Corsica School District	8.72%
Gregory School District	13.55%
Kimball School District	8.25%
Mt. Vernon School District	8.28%
Plankinton School District	5.51%
Platte School District	16.73%
Stickney School District	5.18%
White Lake School District	5.13%
Wessington Springs School District	9.48%

The co-op's governing board is composed of two representatives from each member school district, who are one school board member on the governing board and the superintendent on an advisory board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Mid-Central Cooperative. At June 30, 2002, this joint venture had total fund equity of \$1,763,825.65 and no long-term debt.

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